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3 November 1980

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MEMORANDUM

Hostage Situation

Summary

Ayatollah Khomeini's decision this morning to approve the transfer of the hostages from the militants' control to the government indicates that Iran is moving quickly to get its house in order to resolve the hostage issue. The Iranians doubtless believe they now have given considerable ground on the hostage issue and we believe they lack both the political will and bureaucratic flexibility to alter the conditions set by the Islamic Assembly. Their threat to release the hostages in stages does not appear to be another bargaining tactic but a device to spur rapid US acceptance in principle of all the conditions. Prime Minister Rajai's government needs to protect its flank against hardliners who still fear possible US retaliation and who would regard any attempt by the US to alter the conditions as a trap. The Rajai government is anxious to avoid adverse internal repercussions and still doubts US sincerity.

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The government has moved swiftly to head off domestic criticism and to build support in Iran for ending the crisis. Tehran radio is justifying the hostages' release arguing that Iran has already defeated the US and proven that a small nation can stand up against the superpowers.

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Khomeini's comments will do much to stifle dissent. In his speech today Khomeini stressed that Iran has demonstrated to the world that a "small country" can successfully defy the US for a year. He insisted that the crisis has "smashed" the image of US omnipotence.

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Tehran's Motives

The Iranian initiative to end the crisis began before the war with Iraq. The formation of Prime Minister Rajai's government in early September convinced many of the senior

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clerical leaders in Iran--including Ayatollah Beheshti and Ayatollah Rafsanjani--that the political utility of the hostages had declined. The clerics had essentially won the power struggle with President Bani-Sadr and the hostages no longer were a useful means of rallying domestic support against their domestic opponents. The clerical leaders probably wanted to move on the hostages before more extreme elements could use the issue against them.

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The war has obviously increased the pressure on Tehran to end the crisis. Iran's allies, especially Algeria, emphasized that holding the hostages damages Iran's diplomatic position and isolates it internationally. Engaged in a life and death struggle with a traditional enemy, the Iranians have every reason to want to remove the US and allied sanctions in order to gain access to military equipment.

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Italy, for instance, has held up delivery of ten CH-47 helicopters, helicopter spare parts and 80 anti-ship missiles, even though some of them had already been payed for by the Iranians. Among other items Iran may want are La Combattante fast patrol boats and spares from France and a naval logistic ship and probable Chieftan, Rapier and other spares from the UK. Iran may also hope that the solution to the hostage crisis would facilitate its access to military equipment and spares from other countries, such as Belgium, Spain, South Korea, and Singapore.

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Some Iranians have argued that the US elections provide Tehran with its best opportunity for extracting maximum concessions from the US. Most Iranians seem to prefer that President Carter be reelected because they believe he is less inclined to use force against Iran than Governor Reagan.

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Iran's Tactics

The Iranians clearly hope that the momentum of recent events will move the crisis to an early resolution. We believe Tehran wants the US to move rapidly to accept, at least in principle, all of Tehran's conditions.

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The Iranians have stated explicitly that they will not "negotiate" on the Assembly's demands with the US. They may be willing to accept US "clarifications" which state what the US can and cannot do to meet Iran's demands, but Tehran will require for domestic purposes some statement from the US indicating that the Assembly's conditions are acceptable. Rajai's government can then work out the details of the hostage's release.

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Rajai is probably aware that any attempt by his government to alter or modify the Assembly's terms for releasing the hostages would be extremely difficult to justify domestically. Highly publicized changes would probably require returning the issue to the Majles and Khomeini for approval. Some Iranian

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hardliners still oppose a settlement and are looking for ways to exploit the details of the Majles' demands to block the hostages' release. Any sign of public haggling over the exact terms will tend to diminish Iran's sense of a moral victory.

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